

Before the
Federal Communications Commission
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

In the Matter of)

Implementation of the)
Telecommunications Act of 1996:)

CC Docket No. 96-115

Telecommunications Carriers' Use)
of Customer Proprietary Network)
Information and Other)
Customer Information)

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REPLY COMMENTS OF EQUIFAX, INC.

Equifax, Inc. ("Equifax") by its attorneys, and pursuant to the Commission's *Notice of Proposed Rulemaking*, hereby submits its reply comments in the above-captioned proceeding. Equifax submits these reply comments to emphasize the importance of the statutory exceptions to the privacy requirements of Customer Proprietary Network Information ("CPNI") for information obtained to initiate, render, bill, and collect for telecommunications services, and information obtained to protect the rights of telecommunications carriers from fraud.

I. STATEMENT OF INTEREST

Equifax, Inc. is the leading global provider of information services that help businesses grant credit, authorize and process credit card and check transactions, insure lives and property and control health care costs. Established in 1899, Equifax now employs more than 14,000 people throughout North and South America, the United Kingdom and continental Europe. As an information services provider, Equifax, through its Equifax telecommunications and utility

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services unit, has developed a variety of products that are used throughout the telecommunications industry to enable telecommunications carriers to protect against fraudulent applicants, to locate skip accounts, and to establish deposit rates, among a variety of other billing and fraud prevention services. For example, Equifax has created a service called *Equifax ExchangeSM*, which enables member telecommunications companies to share information that helps locate skip accounts and reduce credit risks. For example, if a customer moved from Bell Atlantic's territory to Bell South's territory, *Equifax ExchangeSM* would allow Bell South to ascertain whether the customer left an unpaid balance with Bell Atlantic. This information benefits both companies. Bell Atlantic would have a new address and telephone number for follow-up and Bell South has information useful in setting deposit rates. Since telecommunications companies were losing billions of dollars in write-offs annually from customers relocating without paying their accounts, *Equifax ExchangeSM* has received considerable praise from its telecommunications customers.

Equifax also provides a service called *POSITIVE IDSM*, which uses sophisticated database search methods to quickly verify an applicant's identity before service is established, significantly reducing exposure to potential service application fraud. *POSITIVE IDSM* uses the applicant's Social Security Number to search through various databases to verify the accuracy of the provided information and to prevent fraud by warning against known or potentially fraudulent names, addresses and Social Security Numbers.

Equifax carefully guards the confidentiality of the information supplied by the member companies. The information is used for billing, fraud prevention, and other similar services.

II. DISCUSSION

Section 222 of the Telecommunications Act of 1996 (the “Act”) specifically provides an exception to confidentiality requirement of CPNI for

a telecommunications carrier using, disclosing, or permitting access to customer proprietary network information obtained from its customers, either directly or indirectly through its agents (1) to initiate, render, bill, and collect for telecommunications services; [or] (2) to protect the rights or property of the carrier, or to protect users of those services and other carriers from fraudulent, abusive, or unlawful use of, or subscription to, such services.¹

The Commission recognized and adopted these exceptions in its *Notice*.² These exceptions plainly encompass the services Equifax provides. Equifax’s products involve information sharing between telecommunications carriers for the purpose of billing, fraud prevention, and related services.

Although commenters in this proceeding suggested many modifications to the Commission’s proposed CPNI rules, no commenter suggested any modifications to, or interpretations of, these exceptions. Equifax merely emphasizes the importance of these two exceptions and urges that, in adopting regulations governing carriers’ use of CPNI, the Commission should be careful to refrain from interpreting these exceptions in any way that would impede either: (1) telecommunications carriers’ access to these information sharing services; or (2) telecommunications carriers’ ability to provide the required information.

Equifax’s ability to provide these essential services is in the public interest. As previously stated, telecommunications carriers lose billions of dollars every year because of

¹ 47 U.S.C. § 222.

² See *Notice* at ¶ 10.

customers who relocate without paying their accounts. Equifax *Exchange*SM has allowed its subscribers to save millions of dollars in write-offs and service refusals to fraudulent applicants.³ Indeed, the California Public Utilities Commission recognized the value in such services. In 1986, the CPUC ordered the seven largest California local exchange companies to participate in a computerized Centralized Credit Check System to share information on customers between the carriers.⁴ The goal was to increase the amount of billing or revenue recovered by the telecommunications companies, and thereby reduce the revenue requirement which must be generated from dutifully paying customers to subsidize those customers who cancel their accounts without paying. This is exactly the service that Equifax provides with its products. Ensuring Equifax's continued ability to efficiently provide these products promotes the public interest by allowing the telephone companies to reduce write-offs, thereby lowering the cost of the carrier's services for their paying customers.

Equifax's services become even more important with the advent of competition. With numerous new telecommunications companies entering the market, Equifax's services are essential in preventing fraud. Without the sharing of customer information between telecommunications providers, a customer intent on defrauding the telecommunications industry could receive free telephone service for years by continuing to switch service providers, without settling outstanding bills with its previous provider. Equifax's products protect carriers and

³ See Bob Cook and John Cavender, *GTE Cures the Bad Debt Blues*, **Telephony**, October 25, 1993.

⁴ General Telephone Company of California, for Authority to Increase Certain Intrastate Rates and Charges for Telephone Services, 17 CPUC2d 190 (Aug. 6, 1986),

therefore, the public from potential exploitation of this new competitive environment.

Moreover, Equifax's services benefit the public by providing telecommunications carriers with information to set deposit rates based on the customer's past payment records. This service rewards good-paying customers by using a deposit rule based on known risk.

Indeed, end-user customers recognize the benefits of Equifax's services. In 1994, Equifax hired Lou Harris & Associates to conduct a survey of how consumers respond to some of the services Equifax provides.⁵ Equifax conducted this survey to ascertain consumer attitudes about a wide range of privacy-related issues. The results of the survey show that, by an overwhelming margin, consumers find such information sharing services to be acceptable when the services are used to prevent fraud and collect unpaid bills. For example, 75% of the consumers surveyed found it acceptable for a utility to use credit information on the applicant's record of paying bills to decide whether to require a deposit from the applicant. Similarly, over 60% of the consumers surveyed found it acceptable for utilities to inform other utilities to which an applicant applies of the applicant's failure to pay overdue utility bills.

This survey further demonstrates that the Commission's very legitimate concerns about consumer privacy are not implicated by Equifax's services. As Congress recognized when crafting these exceptions, the public interest in allowing customer information sharing for these purposes outweighs any interest the customer may have in keeping this information from other telecommunications carriers. Indeed, as the Harris survey demonstrates, most customers do not find such information sharing troublesome.

⁵ See excerpt of Equifax-Harris Consumer Privacy Survey, attached as Exhibit A.

Accordingly, as Congress and the Commission already have recognized, the products Equifax provides advance the public interest. The Commission should refrain from taking action that would interfere in any manner with Equifax's ability to provide these essential services to the telecommunications industry.

III. CONCLUSION

For the foregoing reasons, Equifax submits these reply comments to emphasize the importance of the billing and fraud prevention exceptions to the proposed CPNI regulations. Although the Commission may choose to modify or further interpret its proposed rules, the Commission should leave the billing and fraud prevention exceptions firmly intact.

Respectfully submitted,



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Dated: June 26, 1996

EXHIBIT A

Study # 943014

EQUIFAX-HARRIS
CONSUMER PRIVACY SURVEY
1994

Conducted for:
EQUIFAX INC.

Fieldwork: August 17 - September 4, 1994

Project Directors:
Dr. Joy M. Sever, Vice President
Adele M. O'Grady, Research Associate

Academic Advisor:
Dr. Alan F. Westin
Columbia University

LOUIS HARRIS AND ASSOCIATES, INC.
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A MESSAGE FROM EQUIFAX

Equifax is proud to present the 1994 Equifax-Harris Consumer Privacy Survey, the fifth in a series of such surveys we have sponsored since 1990. These surveys give substance to our pledge to provide Information Leadership for the Information Age.

One significant way in which we fulfill this pledge is through our sponsorship of consumer privacy surveys. Conducted by Louis Harris & Associates, these surveys are highly respected and widely referenced by a vast array of publics: legislators, regulators, consumer and special interest groups, academicians, business and professional associations, and the media.

In addition to the general privacy questions we track each year, I think you will see that this year's survey also provides some very interesting findings on consumer attitudes about several issues that are timely and relevant to current public policy debates. In particular, the survey sheds new light on consumer opinion about establishing a national work identification system and card, a national health care identifier, and what constitutes fair criteria for underwriting automobile insurance policies.

As an information leader, the Equifax commitment to consumers is to provide uncompromising care and integrity in the handling of sensitive, personally identifiable consumer information and to establish and adhere voluntarily to a strong and meaningful set of fair information practices. To that end, last year we published the Equifax Code, specifying our beliefs about consumer rights to privacy and cataloging the actions we have taken to put those beliefs into practice.

More recently, we developed and publicized a stringent set of health information privacy principles to govern our initiatives and emergence as a major player in the health information services industry. Similarly, as we expand our operations around the world, as the global information source, we have committed to developing a set of worldwide privacy principles to govern our practices in every market we serve.

A well-earned privacy reputation is fast becoming a competitive edge, and we are proud that Congress, our customers, and many of our critics have applauded the pro-consumer and privacy-sensitive practices Equifax has put into place, setting a standard for the industry and a model for government.

Delivering information solutions is our business. So, to maintain our reputation and competitive advantage, Equifax must know consumer attitudes about a wide range of privacy-related issues so that we can make good business decisions on products and services we offer and so that we can continue to contribute to the public policy debates and national, and

even international, dialogue about concerns of importance to all stakeholders. Our privacy surveys have served us well in both capacities.

Planning and conducting surveys of this magnitude and producing the final report is a formidable task, requiring many months of detailed work. For their significant contribution in bringing this report to fruition, I thank noted privacy expert Dr. Alan Westin, Columbia University professor and academic advisor to the survey; Dr. Joy Sever, Project Director, Louis Harris & Associates; and John Ford, Equifax Project Manager.

At Equifax, we believe that achieving Information Leadership for the Information Age demands real innovation. It demands cooperation so that business, consumers, and government can more easily bridge differences and increase mutual understanding. We believe our consumer privacy surveys contribute to that cause.



C. B. Rogers, Jr.
Equifax Chairman and CEO

NOTE: For a copy of this survey, the Equifax Code, or the Equifax Health Information Privacy Principles, or if you would like to suggest topics for a future Equifax-Harris survey, please write to:

Equifax Inc.
Corporate Public Affairs
1600 Peachtree Street, N.W.
Atlanta, Georgia 30309

Utility Services

Fifteen percent of the American public say that their utility service has been disconnected because they failed to pay their bills when due. The likelihood of having had this happen is directly correlated with household income. Only 8% of those with household incomes over \$75,000 have had this happen to them, compared to 22% of people with household incomes of \$15,000 or less (Table 5-3a).

Q. G5

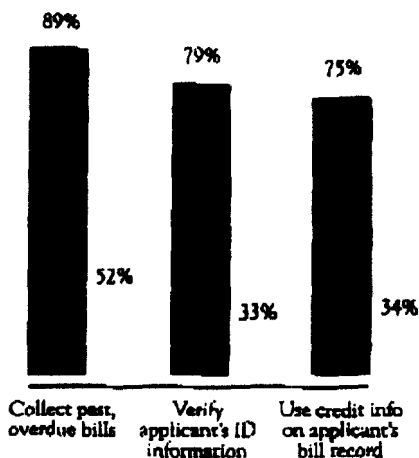
Table 5-3a

Whether Respondent Has Ever Had Utility Service Disconnected

Q.: From time to time, some people have their utility service disconnected because they failed to pay their bills when due. Has this ever happened to you, or not?

Total	1005	%	15
Household Income:			
\$15,000 or less	206	%	22
\$15,001 to \$35,000	320	%	16
\$35,001 to \$50,000	184	%	12
\$50,001 to \$75,000	105	%	13
Over \$75,000	107	%	8

■ Very Acceptable
■ Somewhat Acceptable



Nearly nine in ten Americans (89%) feel that it is acceptable for utility companies to "collect past, overdue utility bills from the applicant" when a consumer applies for service (52% "very" acceptable). Other practices thought to be acceptable are: "verify the applicant's identification information" (79%, 33% "very" acceptable), and "use credit information on the applicant's record of paying bills to decide whether to require a deposit from the applicant" (75%, 34% "very" acceptable) (Table 5-3b).

Q. G6

Table 5-3b

Acceptability of Various Practices Utility Companies Engage in When a Consumer Applies for Service

Q.: Some utility companies, such as electric, gas and sewer firms, are not allowed, by law, to refuse to provide service to consumers. How acceptable do you feel it is for utility companies to (READ EACH ITEM) when a consumer applies for service? Do you think this is very acceptable, somewhat acceptable, not very, or not at all acceptable?

<u>Very</u> <u>Acceptable</u> %	<u>Somewhat</u> <u>Acceptable</u> %	<u>Not Very</u> <u>Acceptable</u> %	<u>Not Acceptable</u> <u>At All</u> %	<u>Not</u> <u>Sure</u> %
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Base: 1005

Collect past, overdue utility bills from the applicant

52	37	5	5	1
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Use credit information on the applicant's record of paying bills to decide whether to require a deposit from the applicant

34	41	12	13	*
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Verify the applicant's identification information

33	46	10	10	1
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Report to a credit bureau the applicant's failure to pay overdue utility bills

31	36	15	17	*
----	----	----	----	---

Inform other utilities to which an applicant applies of the applicant's failure to pay overdue utility bills

26	36	16	22	*
----	----	----	----	---

Overall, 67% of those surveyed feel it is acceptable for utility companies to "report to a credit bureau the applicant's failure to pay overdue utility bills" (31% "very" acceptable). It is worth noting, however, that respondents who have had their utility service disconnected in the past were much less likely to think this "very" acceptable (20% v. 33% among those who have not had their service disconnected) (Table 5-3c).

Q. G6

Table 5-3c

**Summary of Practices that the Public Feels are "Very" Acceptable for
Utility Companies to do When a Consumer Applies for Service:
Utility Service Disconnected in Past**

Q.: Some utility companies, such as electric, gas and sewer firms, are not allowed, by law, to refuse to provide service to consumers. How acceptable do you feel it is for utility companies to (READ EACH ITEM) when a consumer applies for service? Do you think this is very acceptable, somewhat acceptable, not very, or not at all acceptable?

Base:	<u>Utility Service Disconnected in Past</u>		
	<u>Total</u> 1005 %	<u>Yes</u> 143 %	<u>No</u> 857 %
Collect past, overdue utility bills from the applicant	52	50	53
Use credit information on the applicant's record of paying bills to decide whether to require a deposit from the applicant	34	29	35
Verify the applicant's identification information	33	33	33
Report to a credit bureau the applicant's failure to pay overdue utility bills	31	20	33
Inform other utilities to which an applicant applies of the applicant's failure to pay overdue utility bills	26	21	27

CERTIFICATE OF SERVICE

I hereby certify that on this 26th day of June 1996, copies of the foregoing REPLY
COMMENTS OF EQUIFAX, INC. in CC Docket 96-115, were served, via Messenger, to all
parties below:

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